



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 19, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **CHILDNET YOUTH AND FAMILY SERVICES – A DEPARTMENT OF
MENTAL HEALTH SERVICES AND DEPARTMENT OF CHILDREN
AND FAMILY SERVICES PROVIDER – CONTRACT COMPLIANCE
REVIEW**

We completed a review of ChildNet Youth and Family Services (ChildNet or Agency), a Department of Mental Health (DMH) and Department of Children and Family Services (DCFS) contract service provider. Our review covered a sample of transactions from Fiscal Years 2009-10 and 2010-11. DMH contracts with ChildNet to provide mental health services, including interviewing Program participants, assessing their mental health needs, and implementing a treatment plan. DCFS contracts with ChildNet to provide Wraparound Program services. The Wraparound Program provides services to children and families including prevention, support, intervention, transitional, and maintenance services.

The purpose of our review was to determine whether ChildNet provided the services in accordance with their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State, and County guidelines.

At the time of our review, DMH had two cost-reimbursement contracts with ChildNet, and paid the Agency approximately \$20.3 million from July 2009 to June 2011. DCFS had one fee-for-service contract with ChildNet, and paid the Agency approximately \$1.2

million from May 2009 to April 2011. The Agency provides services in the Fourth Supervisorial District.

Results of Review

DMH Program Review

ChildNet did not adequately describe the clients' symptoms and behaviors for ten (67%) of the 15 DMH clients reviewed. In addition, 14 (93%) of the 15 Targeted Case Management billings reviewed had goals which did not relate to the clients' diagnosis or assessment, and seven (47%) of the 15 mental health goals were not specific to the individual clients.

DMH and DCFS Wraparound Fiscal and Administrative Reviews

ChildNet maintained adequate internal controls over its business operations. The Agency also allocated expenditures appropriately, and maintained adequate documentation to support expenditures charged to the DMH and DCFS Wraparound Programs.

Details of our review, along with a recommendation for corrective action, are attached.

Review of Report

We discussed our report with ChildNet, DMH, and DCFS. ChildNet's attached response indicates that they concur with our findings and recommendation.

We thank ChildNet management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Philip L. Browning, Director, Department of Children and Family Services
Kathy Hughes, CEO/ED, ChildNet Youth and Family Services
Don Trojan, Board Chairperson, ChildNet Youth and Family Services
Public Information Office
Audit Committee

**CHILDNET YOUTH AND FAMILY SERVICES
DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND
FAMILY SERVICES CONTRACT SERVICE PROVIDER
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2009-10 AND 2010-11**

BILLED SERVICES

Objective

Determine whether ChildNet Youth and Family Services (ChildNet or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 25 billings, totaling 3,213 minutes, from 669,129 service minutes of approved Medi-Cal billings from February and March 2011. We reviewed the Assessments, Client Care Plans, and Progress Notes in the clients' charts for the selected billings. The 3,213 minutes represent services to 15 Program clients.

Results

ChildNet did not always comply with the DMH contract requirements. Specifically, ChildNet did not:

- Adequately describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM) to support the diagnosis in ten (67%) of the 15 Assessments reviewed. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorders and the criteria for diagnosing them. The County contract requires the Agency to follow the DSM when diagnosing clients.
- Complete 93% of the clients' goals in accordance with the County contract. Specifically, 14 (93%) of the 15 Targeted Case Management goals reviewed did not relate to the clients' Diagnosis or Assessment, and seven (47%) of the 15 Mental Health goals reviewed were not specific to the individual clients as required. The Client Care Plan establishes goals and interventions that address the clients' mental health conditions identified in the Assessment. A Client Care Plan is required for all services a Medi-Cal client receives, and must document specific, measurable, attainable, realistic, time-bound (SMART) goals.

The number of incomplete Client Care Plans exceeds the total number in question because some Client Care Plans had multiple findings.

Recommendation

1. ChildNet management ensure that Assessments and Client Care Plans are completed in accordance with the County contract.

STAFFING QUALIFICATIONS

Objective

Determine whether ChildNet's treatment staff had the required qualifications to provide mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 15 ChildNet treatment staff who provided services to DMH clients during May and June 2010.

Results

Each employee reviewed had the qualifications required to provide the billed services.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether the Agency deposited cash receipts timely, and recorded revenue properly in the Agency's records.

Verification

We interviewed ChildNet's management, and reviewed their accounting records. We also reviewed the Agency's August 2011 bank reconciliations for two bank accounts.

Results

ChildNet deposited cash receipts timely, and recorded revenue properly. In addition, the Agency prepared bank reconciliations appropriately.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether ChildNet prepared its Cost Allocation Plan in compliance with the County contract, and used the Plan to allocate shared expenditures appropriately.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management, and reviewed ten shared expenditures incurred from April 2010 to June 2011, totaling \$52,729, to ensure that the expenditures were appropriately allocated to the DMH and Department of Children and Family Services (DCFS) Wraparound Programs.

Results

ChildNet's Cost Allocation Plan was prepared in compliance with the County contract, and the Agency used the Plan to allocate shared expenditures appropriately.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether Program-related expenditures were allowable under the County contracts, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed accounting records and documentation to support 50 expenditure transactions that were billed to DMH and DCFS Wraparound Programs between October 2009 and June 2011, totaling \$353,352.

Results

ChildNet maintained adequate documentation to support the non-payroll expenditures charged to the DMH and DCFS Wraparound Programs.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchased with County funds were used for the appropriate Programs and are safeguarded. In addition, determine whether fixed asset depreciation expense charged to the DMH and DCFS Wraparound Programs were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets inventory listing. We also performed an inventory, and reviewed the usage of 15 items purchased with County funds.

Results

ChildNet used the equipment and fixed assets purchased with County funds for the DMH and DCFS Wraparound Programs, and the assets were safeguarded. In addition, the depreciation expense charged to the DMH and DCFS Wraparound Programs were allowable under the County contracts.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to DMH and DCFS Wraparound Programs. In addition, determine whether the Agency had personnel files as required.

Verification

We traced the payroll expenditures for 20 employees, totaling \$75,889, for June 2011 to the Agency's payroll records and time reports. We also reviewed the employees' personnel files.

Results

ChildNet's payroll expenditures were charged to the DMH and DCFS Wraparound Programs appropriately. In addition, the Agency maintained the personnel files as required.

Recommendation

None.

COST REPORTS**Objective**

Determine whether ChildNet's Fiscal Year 2009-10 DMH Cost Report reconciled to the Agency's accounting records.

Verification

We traced the Agency's FY 2009-10 DMH Cost Report to the Agency's accounting records. We also reviewed a sample of DMH Program expenditures incurred from July 2009 to June 2010. The DCFS Wraparound Program does not require a Cost Report to be submitted to DCFS.

Results

ChildNet's Cost Report reconciled to the Agency's accounting records.

Recommendation

None.



January 30, 2012

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Wendy L. Watanabe, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

Attention: Yoon Park, C.P.A.

Re: Response to Auditor-Controller Compliance Review for the
Wraparound and Department of Mental Health Contracts

Dear Ms. Watanabe:

We are very pleased by the attached compliance report findings for the Wraparound and Department of Mental Health (DMH) contracts. The report specifically noted that:

- 1) ChildNet treatment staff members possess the required qualifications to provide the services.
- 2) Cash receipts and revenues were properly recorded in the financial records and deposited timely in the bank account.
- 3) ChildNet's Cost Allocation Plan was prepared in compliance with the County contract and the agency followed the plan to appropriately allocate shared program expenditures.
- 4) Documentation supported the expenditures charged to the DMH and Wraparound programs.
- 5) Fixed assets charged to the DMH and Wraparound programs were allowable and properly documented.
- 6) Payroll expenditures were appropriately charged to the DMH and Wraparound programs.
- 7) The 2009-2010 DMH cost report reconciled to ChildNet's accounting records.

For the one recommendation in the report, we have listed the issue and our response below.

Issue:

ChildNet did not adequately describe clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorders (DSM) to support the given diagnosis in their Assessments for 10 (67%) of the 15 DMH clients sampled. In addition, ChildNet did not complete 93% of their Client Care Goals in accordance with the County Contract. Specifically, 14 of the 15 Targeted Case Management billings reviewed had goals which did not relate to the clients' Diagnosis or Assessment, and 7 (47%) of the 15 Mental Health goals were not specific to the individual clients as required.

Recommendation: ChildNet management ensure that Assessments and Client Care Plans are completed in accordance with the County contract.

ChildNet Response:

ChildNet's Behavioral Health Services (BHS) program strives to implement all policies and procedures required by DMH when providing quality services to our clients. We continued to provide excellent services to our clients while facing the many challenges and complexities associated with the Los Angeles County Transformation to PEI-Evidence-Based Practice, which was initiated January 2010.

ChildNet Behavioral Health Services maintains that adequate documentation and necessary information to support client diagnosis is contained within various sections of the client charts. However, management will ensure that information is documented in the appropriate, designated sections as recommended by the County Program Auditor. ChildNet Behavioral Health Services views this audit finding as an opportunity to refocus resources in areas that will support our commitment to training and improving our oversight of supervisory staff.

As a result of this audit finding, ChildNet Behavioral Health Services has made improvements to our supervisor training, individual and group supervision process, Quality Improvement Department, and Employment Orientation Program (EOP).

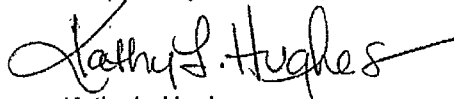
Specifically, the training is incorporating the "clinical loop" and is delineated as follows:

- 1) Incorporation of clinical trainings in the weekly supervisor's meetings. One element of the "Clinical Loop" - assessment = diagnosis = treatment plan = goals = interventions = outcomes - is reviewed in depth in each meeting.
- 2) The use of the clinical paradigm SMART (specific, measurable, attainable, realistic, and time bound) will be emphasized when writing treatment goals including targeted case management services (TCM).

- 3) The documents utilized in the EOP training are in the process of being upgraded to emphasize adherence to the "Clinical Loop."
- 4) Clinical supervisors began conducting additional training during weekly group supervision and individual supervision sessions with clinicians on their team.
- 5) Quality Improvement Department staff members are meeting more frequently on an individual basis with supervisors and clinicians. In addition, QI staff are becoming more integrated into weekly supervisor trainings to assist with maintaining the quality of client services and appropriate documentation.
- 6) In addition, representatives from the Auditor Controller's office are invited to conduct training for ChildNet clinicians and/or supervisors to address this area of compliance. ChildNet Behavioral Health Services appreciates having this on-going dialog in order to ensure proper interpretation of the DMH requirements.

Finally, we appreciate the time and effort spent during the review. We want to thank the auditors for the detailed compliance report and their professionalism exuded while they were here.

Respectfully submitted,



Kathy L. Hughes
President/Chief Executive Officer
ChildNet Youth and Family Services, Inc.

Cc: Allan Greenberg, Deputy Executive Officer/CFO
Monica Quinones, VP of Community Based Services